

Student Council Representatives; and the Patriotic Committees from each school level for their hard work to make this happen.

On Friday, they will present a check to Captain Paula Hinger, the Commanding Officer of the Corpus Christi Naval Air Station to formalize their gift of the heart to our warriors.

I ask my colleagues to join me in commending these young people and the school officials for their generosity and for remembering the difficult service our military offers the United States of America.

A RESOLUTION HONORING JAMIE TITUS, LEGRAND SMITH SCHOLARSHIP WINNER OF FULTON, MI

HON. NICK SMITH

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 15, 2003

Mr. SMITH of Michigan. Mr. Speaker, let it be known that it is with great respect for the outstanding record of excellence she has compiled in academics, leadership and community service, that I am proud to salute Jamie Titus, winner of the 2003 LeGrand Smith Scholarship. This award is made to young adults who have demonstrated that they are truly committed to playing important roles in our Nation's future.

As a winner of the LeGrand Smith Scholarship, Jamie is being honored for demonstrating that same generosity of spirit, intelligence, responsible citizenship, and capacity for human service that distinguished the late LeGrand Smith of Somerset, Michigan.

Jamie is an exceptional student at Athens High School, and possesses an outstanding record of achievement in high school. Jamie has received numerous awards for her excellence in science as well as her volunteer activities on missions to Mexico and Canada. Jamie has been recognized for her outstanding performances in Track and Cross Country, and is a member of the Fellowship of Christian Athletes.

Therefore, I am proud to join with her many admirers in extending my highest praise and congratulations to Jamie Titus for her selection as winner of a LeGrand Smith Scholarship. This honor is a testament to the parents, teachers, and others whose personal interest, strong support and active participation contributed to her success. To this remarkable young woman, I extend my most heartfelt good wishes for all her future endeavors.

THE SECONDARY MORTGAGE MARKET FAIR COMPETITION ACT

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 15, 2003

Mr. STARK. Mr. Speaker, I rise today to introduce, the "Secondary Mortgage Market Fair Competition Act." The bill would allow states to tax Fannie Mae and Freddie Mac on their pre-tax earnings by eliminating Fannie and Freddie's state and local tax-exempt status under their federal charter.

When Congress chartered Fannie Mae and Freddie Mac (in 1968 and 1970 respectively)

there was a need to provide a steady stream of revenue for home mortgage loans in order to increase homeownership in the U.S. Congress provided certain privileges to Fannie and Freddie in their charter that would allow that stream of revenue to continue to grow. Fannie Mae and Freddie Mac corporations are now the leaders of the secondary mortgage market and have established a strong revenue source for the primary mortgage market. It is due to these successes that I believe it is time for Congress to amend the corporations' charter and repeal their local and state tax-exempt status. Due to the current state fiscal crises, Congress should not wait to enact this amendment.

A bank originates a loan to a home purchaser and turns around and sells that loan to Fannie Mae or Freddie Mac, thus allowing the bank to use the proceeds from that first loan to originate another loan. Fannie Mae and Freddie Mac finance the purchase of these loans by issuing a tradable commodity in the form of mortgage-backed securities or MBS. When Congress chartered Fannie Mae and Freddie Mac it granted them special privileges—among these is the state and local tax exemption—not available to other private-sector firms. This was done to attract investors to purchase Fannie Mae and Freddie Mac securities. This in turn provided a steady stream of revenue available for home mortgage loans and thus, increased homeownership in the U.S. In 1992, Congress refined their charter and placed new requirements on the corporations to expand homeownership opportunities to underserved communities.

Fannie and Freddie are now thriving, successful private corporations. In 2001, Fannie and Freddie earned \$10 billion in profits combined and made Fortune magazine's list of most profitable companies. Fannie ranked 13th while Freddie ranked 18th. Both have shown record profits every year during the past 10 years. Fannie and Freddie guarantee payments to bond investors for \$2.7 trillion in mortgage debt or 44% of the U.S. total. Thirty-five years after Fannie Mae's charter, these two entities are strong and profitable enough to provide a steady stream of home loan revenue without the state tax-exempt privilege.

Their income is currently taxed at the federal level. But, they do not pay state or local corporate income taxes. In addition to the state tax exemption, other advantages of their federal charter include exemptions from Securities and Exchange Commission registration fees. The implied federal guarantee on their mortgage-backed securities also gets them lower borrowing costs than their competitors. In fact, in 2001 the Congressional Budget Office found that Fannie Mae and Freddie Mac's government-chartered status translates into a subsidy of \$13.6 billion per year for these private, self-sufficient corporations.

One might think that a subsidy of this nature is justified since the corporations are supposed to provide homeownership opportunities to underserved homebuyers. However, recent reports show that despite this worthy goal, Fannie and Freddie may not be fulfilling this promise. In April 2002, the Department of Housing and Urban Development (HUD) found that, "they continue to underperform the conventional conforming market in funding the affordable home purchase loans for borrowers and neighborhoods targeted by the housing goals." The report also indicates that Fannie

and Freddie "account for a very small share of the market for important groups such as minority first-time homebuyers."

Given all of these facts, I believe it is time to withdraw the exemption from state and local taxes for these companies. At a time when states are scrambling to find solutions to their budget shortfalls, passage of this legislation would provide a much-needed new revenue source for states that choose to tax Fannie and Freddie on their corporate income. My bill in no way requires the states to tax Fannie Mae and Freddie Mac, it merely allows them to do so. It will also help to level the playing field for Fannie and Freddie's competitors by eliminating this tax advantage provided to Fannie and Freddie. At a time when states are facing fiscal crises and Fannie Mae and Freddie Mac are facing healthy profits, states should be provided the opportunity to tax these corporations just as states tax their competitors.

The fact that these corporations are doing so well is a clear indicator that Congress' charter has served the public and the home loan mortgage industry well. But these successes should not lead Congress to shelter Fannie and Freddie from the rigors of the marketplace indefinitely. The need for Fannie and Freddie's state and local tax-exempt status has come and gone. Let's be true to states' rights and allow the states to determine the tax treatment of these corporations within their borders.

I urge my colleagues to cosponsor this bill to eliminate the state and local tax-exempt status no longer needed by the Fannie Mae and Freddie Mac corporations.

RECOGNIZING CHICO STATE UNIVERSITY POLITICAL SCIENCE PROFESSOR JON SUTTON EBELING, PH.D. ON THE OCCASION OF HIS RETIREMENT

HON. MIKE THOMPSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 15, 2003

Mr. THOMPSON of California. Mr. Speaker, I rise today to recognize the significant achievements of Dr. Jon S. Ebeling, a retiring political science professor at Chico State University in Chico, California.

Jon Ebeling earned his Bachelors of Arts in History from San Jose State College in 1962. Anxious to educate and serve, Jon entered the Peace Corps after graduation and was assigned to work in the first Peace Corps project in Ethiopia.

Upon completing his Peace Corps project, Jon returned to the United States and reenrolled school to pursue a postgraduate degree. In 1966 he earned his Masters Degree from UCLA and went on to receive his Ph.D. from the University of Pittsburgh in 1974.

Dr. Ebeling's enthusiasm for subject matter and life are contagious. Whether teaching statistics and research methods, public sector budgeting, evaluation research methods or cost analysis, Dr. Ebeling has the unique ability to make his courses both memorable and inspirational.

It is not surprising that Dr. Ebeling is also very active outside of the classroom. In addition to his full teaching load, he has used the